

Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-10 EUR-12 EA-10 NEA-10 IO-13 ISO-00
AGRE-00 CEA-01 CIAE-00 DODE-00 EB-08 FRB-03 H-01
INR-10 INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00
AID-05 SS-15 STR-07 ITC-01 TRSE-00 SP-02 SOE-02
OMB-01 DOE-15 NSCE-00 SSO-00 USIE-00 INRE-00 /140 R

DRAFTED BY COM:TNAD:OITP:BIEPR:MMALASHEVICH
APPROVED BY EB/OT/TA:HKOPP
COM:TNAD:OITP:BIEPR:DSCHLECHTY
COM:BIEPR:GCP:FRUZICKA
COM:BIEPR:OCA:KTHOMPSON
COM:BIEPR:OCA:FHOWELL
COM:BIEPR:OCA:RRODRIGUEZ
:BIE A:RADES
EB:OT:OCP:RCREIS
ARA/ECA:DVANTREECK
EA/K:BPORTER
NEA/INS:JGRAHAME

-----127047 250243Z /73

O 250028Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY BRASILIA IMMEDIATE
AMEMBASSY MONTEVIDEO IMMEDIATE
AMEMBASSY NEW DELHI IMMEDIATE
AMEMBASSY MADRID IMMEDIATE
AMEMBASSY SEOUL IMMEDIATE
INFO USMISSION GENEVA IMMEDIATE
AMEMBASSY MEXICO IMMEDIATE

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USMTN FOR MTN GENEVA

E.O. 11652:N/A
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TAGS: ETRD,MTN,XM,XG,IN,KS

SUBJECT:USG HANDLING OF AUTOMOTIVE EXPORT REQUIREMENTS IN
MTN.

REF: A) STATE 258716 10/25/77, B) SEOUL 09130, C) SEOUL

A-20, D) MADRID 01480, E) MADRID A-80 1/31/77.

1. THE USG HAS RECEIVED COMPLAINTS FROM THE U.S. AUTOMOTIVE INDUSTRY REGARDING VARIOUS COUNTRIES' REQUIREMENTS THAT SUBSIDIARIES OF U.S. FIRMS EXPORT FROM THOSE COUNTRIES A GIVEN PERCENTAGE OF THE VALUE OF THE SUBSIDIARIES' IMPORTS OR OUTPUT. THE USG FINDS THESE REQUIREMENTS HIGHLY TRADE DISTORTIVE AND UNFAIR, PARTICULARLY WHEN COMBINED WITH LOCAL CONTENT REQUIREMENTS (REFTELA). THE USG HAS INCLUDED IN ITS LISTS OF REQUESTED CONCESSIONS IN THE MULTILATERAL TRADE NEGOTIATIONS REQUESTS FOR THE ELIMINATION OF EXPORT REQUIREMENTS ON AUTOMOTIVE EQUIPMENT (BTNS 87.02, 87.04, 87.05 AND 87.06) IN MEXICO, INDIA, BRAZIL, SOUTH KOREA AND URUGUAY. THESE REQUESTS ARE INCLUDED ON THE REFINED PRODUCT SPECIFIC UNITED STATES INDICATIVE LISTS FOR THE COUNTRIES LISTED ABOVE. EXPORT REQUIREMENTS IN SPAIN ARE ALSO OF CRITICAL INTEREST, BUT, BECAUSE THE RESTRICTIVENESS OF THESE MEASURES BECAME EVIDENT ONLY AFTER THE USG HAD SUBMITTED ITS REQUESTS FOR CONCESSIONS BY SPAIN, A REQUEST FOR THEIR ELIMINATION HAS NOT YET BEEN FORMULATED, ALTHOUGH WE INTEND TO DO SO IN THE NEAR FUTURE BASED ON INFORMATION RECEIVED FROM AMEMBASSY MADRID.

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2. ALSO IN PROCESS IS THE FORMULATION OF GUIDANCE ON A PRODUCT SECTOR BASIS FOR USE BY THE MTN DELEGATION IN THE LIMITED OFFICIAL USE

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CURRENT ROUND OF SUBSTANTIVE BILATERAL DISCUSSIONS. FOR THE PURPOSES OF THIS WORK, FURTHER INFORMATION IS NEEDED IMMEDIATELY FROM POSTS REGARDING AUTOMOTIVE EXPORT REQUIREMENTS, WHICH VARY IN NATURE AND EXTENT OF RESTRICTIVENESS.

3. FOR BRASILIA: IT IS THE UNDERSTANDING OF THE USG THAT MANUFACTURERS WHO PARTICIPATE IN THE BEFIEX EXPORT PROGRAM MUST SATISFY AN 85 PERCENT LOCAL CONTENT REQUIREMENT (AS OPPOSED TO THE 100 PERCENT REQUIREMENT IMPOSED ON NON-PARTICIPANTS) AND EXPORT 3 TIMES THE VALUE OF THEIR IMPORTS. ACTION REQUESTED: EMBASSY SHOULD ADVISE AS TO WHETHER OR NOT THIS INFORMATION IS CORRECT AND SHOULD SEND ANY ADDITIONAL INFORMATION AVAILABLE REGARDING AUTOMOTIVE EXPORT REQUIREMENTS INCLUDING THEIR LEGAL BASES AND RATIONALE FOR THEIR USE.

4. FOR NEW DELHI: IT IS THE UNDERSTANDING OF THE USG THAT THE PROPORTION OF FOREIGN EQUITY WHICH CAN BE RETAINED IS LINKED TO EXPORTS. A FOREIGN FIRM MAY RETAIN: 51 PERCENT EQUITY, IF PRODUCTION OF SOPHISTICATED TECHNOLOGY PRODUCTS AND/OR EXPORTS IS 60 PERCENT OR MORE OF TOTAL PRODUCTION,

AND MUST BEGIN TO EXPORT AT LEAST 10 PERCENT TOTAL ANNUAL TURNOVER WITHIN TWO YEARS; 74 PERCENT EQUITY IF 75 PERCENT, AS ABOVE; 100 QUITY, IF FIRM EXPORTS 100 PERCENT OF TOTAL PRODUCTION; AND 40 PERCENT EQUITY, IF NONE OF ABOVE CONDITIONS ARE MET. ACTION REQUESTED: EMBASSY SHOULD ADVISE AS TO WHETHER OR NOT AUTOMOBILES ARE CONSIDERED, QUOTE, SOPHISTICATED TECHNOLOGY PRODUCTS, UNQUOTE. ALSO, MUST BOTH CONDITIONS (PRODUCTION AND EXPORTS) BE SATISFIED OR JUST ONE? ANY ADDITIONAL INFORMATION EMBASSY HAS REGARDING EXPORT REQUIREMENTS ON AUTOMOTIVE EQUIPMENT SHOULD BE SENT, INCLUDING THEIR LEGAL BASES AND RATIONALE FOR THEIR USE.

5. FOR SEOUL: ACCORDING TO REFTEL B, QUOTE, ALL REQUIRE-
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MENTS ARE WORKED OUT IN NEGOTIATION BETWEEN GOVERNMENT AND FOREIGN INVESTOR...BY FAR THE MOST COMMON PERFORMANCE REQUIREMENT IS THE ONE WHEREBY A CERTAIN PERCENTAGE OF THE INVESTOR'S SALES MUST BE EXPORTED, UNQUOTE. OUR INFORMATION INDICATES THAT REQUIREMENTS DEPEND ON PRODUCT AND PRODUCTION VOLUME BUT AVERAGE 20 PERCENT OF SALES.

ACTION REQUESTED: EMBASSY SHOULD INDICATE WHETHER OUR INFORMATION IS CORRECT AND WHETHER, BESIDES RECENT ABOLITION OF EXPORT/IMPORT LINK SYSTEM (REFTEL C), THERE HAVE BEEN ANY CHANGES IN R.O.K.G. EXPORT REQUIREMENTS AFFECTING AUTOMOTIVE PRODUCTS. ALSO, EMBASSY SHOULD TRANSMIT ANY ADDITIONAL INFORMATION REGARDING EXPORT REQUIREMENTS ON AUTOMOTIVE EQUIPMENT, INCLUDING THEIR LEGAL BASIS AND RATIONALE FOR THEIR USE. DO EXPORT REQUIREMENTS PROVIDE DOMESTIC AUTOMOTIVE EQUIPMENT PRODUCERS WITH A PROTECTED LOCAL MARKET (REFTEL B)?

6. FOR MADRID: REFTEL D INDICATES THAT, QUOTE, PERFORMANCE REQUIREMENTS ARE APPLIED TO BOTH DOMESTIC AND FOREIGN INVESTMENTS ON A CASE-BY-CASE BASIS, UNQUOTE. EMBASSY SHOULD INFORM WASHINGTON REGARDING HOW THESE REQUIREMENTS IMPACT UPON U.S. AUTOMOTIVE PRODUCERS OPERATING IN SPAIN. ALSO, EMBASSY SHOULD ADVISE AS TO WHETHER OR NOT EXPORT REQUIREMENTS SERVE TO PROTECT DOMESTIC PRODUCERS OF AUTOMOTIVE PRODUCTS; AND WHETHER ANY CHANGES ARE ANTICIPATED IN ROYAL DECREE 3099 (REFTEL E) WHICH WOULD RENDER SPANISH EXPORT AND INVESTMENT REQUIREMENTS EVEN MORE STRINGENT?

7. FOR MONTEVIDEO: IT IS UNDERSTANDING OF USG THAT, FOR PASSENGER CARS, MANUFACTURERS MUST EXPORT AN AMOUNT EQUAL IN VALUE TO THE AMOUNT OF GOODS IMPORTED. FOR COMMERCIAL
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VEHICLES, MANUFACTURERS MUST EXPORT AN AMOUNT EQUAL IN
VALUE TO 40 PERCENT OF IMPORTS. ACTION REQUESTED: EMBASSY
SHOULD INFORM AS TO THE FOLLOWING: (1) DOES OUR
INFORMATION ACCURATELY REFLECT REQUIREMENTS IN URUGUAY?
(2) ANY ADDITIONAL INFORMATION REGARDING EXPORT REQUIRE-
MENTS, INCLUDING THE LEGAL BASIS FOR THEM AND GOU'S
RATIONALE FOR THEIR USE.

8. TO ALL POSTS: INFORMATION SHOULD BE SUBMITTED BY POSTS
ASAP, BUT NO LATER THAN MARCH 31. VANCE

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, EXPORTS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE077506
Document Source: CORE
Document Unique ID: 00
Drafter: TNAD:OITP:BIEPR:MMALASHEVICH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780131-0585
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780325/aaaaauny.tel
Line Count: 185
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Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: a3a7adbd-c288-dd11-92da-001cc4696bcc
Office: ORIGIN COME
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 258716, 78 SEOUL 9130
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Exemptions: n/a
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Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
Subject: USG HANDLING OF AUTOMOTIVE EXPORT REQUIREMENTS IN MTN.
TAGS: ETRD, BDIS, XM, XG, IN, KS, MTN
To: BRASILIA MONTEVIDEO MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a3a7adbd-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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20 Mar 2014
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